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NOFORN  
SIPDIS

STATE FOR EUR/CE - J. BERGEMANN  
STATE FOR ISN/MDSP - D. HOPPLER, R. CIARROCCHI, W. SHOBERT  
DEFENSE FOR OSD/USD/ATL/IC - A. VOLKMAN  
DEFENSE FOR OSD/USD/P - J. TOWNSEND  
MDA FOR GC - R. NEUBAUER

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SUBJECT: ENSURING TRANSPARENCY IN RDTE AGREEMENT WITH CZECHS

REF: CIA 673979

Classified By: Charge d'Affaires Mary Thompson-Jones for reasons 1.4(b) and 1.4(d).

**¶1.** (SBU) Since mid-November, efforts to finalize the language of a U.S.-Czech Research, Development, Testing and Evaluation (RDTE) Agreement have stalled. Background on the RDTE Agreement is summarized below. The language remains in dispute because the Czech Ministry of Defense is pressing for inclusion of a provision allowing for the use of a so-called "direct call" procedure for any potential commercial contract resulting from the Agreement. Pentagon procurement and legal experts who examined the direct-call mechanism, while preparing to negotiate a separate U.S.-Czech Reciprocal Defense Procurement late last year, concluded that the &direct call& procedure is a type of no-bid process lacking transparency.

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Standing Firm on Promoting Transparent Practices  
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**¶2.** (S/NF) Recent reporting (reftel) indicates that MoD's attempts to retain the direct call language are raising concerns within different branches of the Czech government about non-transparency and the potential for at least the appearance of corruption. Recent Czech media reporting has focused on alleged corruption in MoD procurement, and has framed the direct call as a serious obstacle to transparency.

**¶3.** (C) Prime Minister Fischer appears to understand the USG interest in promoting transparency and how this could play a decisive role in concluding the Agreement, a priority of his as he stated to VP Biden in their October 23, 2009, meeting. Although it remains our goal to conclude the RDTE Agreement in order to underscore the ongoing strength and diversity of our bilateral relationship with the Czech Republic, we must not do so at the cost of our commitment to fair, open and transparent procurement practices. With the Czech government, the media, and the public all focused on the connection between the RDTE Agreement and transparency, we must ensure that the U.S. Government's position in support of transparent bid processes remains unequivocal.

**¶4.** (C) Prime Minister Fischer has taken a strong personal interest in seeing that the Agreement is concluded. Thus, we will engage with appropriate interlocutors at the MoD, MFA and the Office of the Czech Government to reiterate the USG's interest in concluding an RDTE agreement, while also flagging our commitment to promote transparency and avoid being associated with any procedures which compromise transparency.

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Background on RDTE  
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¶5. (U) The RDTE Agreement stems from the 2008 bilateral Declaration on Strategic Defense Cooperation that was in turn related to our broader missile defense (MD) cooperation with the Czechs. Following the September 2009 decision to refocus MD efforts toward the development of a NATO Phased Adaptive Approach architecture, the U.S. and Czech governments identified the RDTE Agreement as an essential element of our ongoing bilateral relationship, insofar as it not only enables defense-related cooperation, but also offers a platform for broader collaboration in science, education and technology.

Thompson-Jones